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**ANNUAL REPORT**

**1970**

**PHILLIPS CABLES LIMITED**





Over 8000 types of cable in 10 major categories

Phillips Cables . . .  
**U**nlimited Source of  
Reliable Conductors



SIX FACTORIES  
9 WAREHOUSES COAST TO COAST



## ANNUAL REPORT

For the Year Ended December 31, 1970

### FINANCIAL HIGHLIGHTS

	1970	1969	1968	1967	1966
<b>SALES</b> .....	<u>\$79,579,000</u>	<u>\$62,241,000</u>	<u>\$64,497,000</u>	<u>\$59,376,000</u>	<u>\$59,415,000</u>
<b>EARNINGS</b>					
Before Income Taxes .....	\$ 9,959,000	\$ 5,534,000	\$ 2,281,000	\$ 5,329,000	\$ 7,404,000
Income Taxes .....	<u>5,197,000</u>	<u>2,768,000</u>	<u>(169,000)</u>	<u>1,803,000</u>	<u>3,525,000</u>
Before Extraordinary Item .....	4,762,000	2,766,000	2,450,000	3,526,000	3,879,000
Extraordinary Item: Income Taxes .....	<u>442,000</u>	<u>268,000</u>	<u>—</u>	<u>—</u>	<u>—</u>
Earnings for the Year .....	<u>\$ 5,204,000</u>	<u>\$ 3,034,000</u>	<u>\$ 2,450,000</u>	<u>\$ 3,526,000</u>	<u>\$ 3,879,000</u>
 Dividends Declared .....	 \$ 1,710,000	 \$ 1,109,000	 \$ 1,109,000	 \$ 871,000	 \$ 837,000
Depreciation Charged .....	\$ 1,630,000	\$ 1,640,000	\$ 1,816,000	\$ 1,225,000	\$ 1,210,000
Investment in Fixed Assets ...	\$ 2,493,000	\$ 1,211,000	\$ 1,848,000	\$ 4,543,000	\$ 3,726,000
 Working Capital .....	 \$17,369,000	 \$14,882,000	 \$13,970,000	 \$13,066,000	 \$12,869,000
Shareholders' Equity .....	\$26,392,000	\$22,744,000	\$20,819,000	\$19,472,000	\$16,808,000
Shares Outstanding .....	3,981,875	3,959,925	3,959,925	3,958,975	3,956,975
 <b>PER SHARE</b>					
Earnings:					
Before Extraordinary Item	\$ 1.20	\$ .70	\$ .62	\$ .89	\$ .98
After Extraordinary Item	\$ 1.31	\$ .76	\$ .62	\$ .89	\$ .98
Dividends Paid .....	\$ .40	\$ .28	\$ .28	\$ .24	\$ .16
Equity .....	\$ 6.63	\$ 5.74	\$ 5.26	\$ 4.92	\$ 4.25



### ANNUAL MEETING

The Annual General Meeting of the Shareholders will be held at the Skyline Hotel, Stewart Boulevard, Brockville, Ontario, on April 29, 1971 at two-thirty o'clock in the afternoon.

## BOARD OF DIRECTORS

H. CAMPBELL .....	Ottawa, Ont.	T. A. LINDSAY .....	Brockville, Ont.
A. L. FERGENSON .....	New York, U.S.A.	J. A. MCCLEERY .....	London, England
G. GINGRAS .....	Montreal, Que.	J. E. THOMAS .....	Brockville, Ont.
M. F. W. GREENE .....	Brockville, Ont.	A. S. TORREY .....	Montreal, Que.
J. S. WADDINGTON .....	Brockville, Ont.		

## OFFICERS

<i>Chairman</i> .....	A. S. TORREY
<i>President</i> .....	T. A. LINDSAY
<i>Vice-President &amp; Secretary</i> .....	M. F. W. GREENE
<i>Vice-President — Magnet Wire Products</i> .....	J. L. OLSEN
<i>Vice-President — Industrial Relations</i> .....	J. R. PHILIPS
<i>Vice-President — Construction Products</i> .....	C. PRESCOTT
<i>Vice-President — Power Cable Products</i> .....	R. C. SALKELD
<i>Vice-President — Sales</i> .....	J. E. THOMAS
<i>Vice-President — Communication Products</i> .....	J. S. WADDINGTON
<i>Treasurer</i> .....	R. B. WOLTON
<i>Assistant Secretary</i> .....	E. W. REYNOLDS

## MANAGEMENT

<i>Communication Products Manufacturing Manager</i> ..	G. H. GALLIMORE
<i>General Sales Manager</i> .....	C. F. JARDIM
<i>Power Products Marketing Manager</i> .....	P. H. WYLIE

## AUDITORS

RIDDELL, STEAD & Co.  
Montreal, Que.

## TRANSFER AGENT & REGISTRAR

NATIONAL TRUST COMPANY LTD.  
Toronto and Montreal

## BANKERS

CANADIAN IMPERIAL BANK OF COMMERCE

## SOLICITORS

BORDEN, ELLIOT, KELLEY & PALMER  
Toronto, Ont.



# PHILLIPS CABLES LIMITED

Head Office  
Brockville, Ontario  
March 29, 1971

## TO THE SHAREHOLDERS:

Your Directors are pleased to submit their 17th Annual Report, for the year ended December 31, 1970.

### EARNINGS

The outstanding feature of 1970 was the highest earnings in the Company's history, exceeding previous records established in 1966. This was accomplished in the face of declining Canadian economy, high raw material prices, and inflationary pressures on operating expenses. Earnings from operations at \$1.20 per share showed an increase of 71% over 1969 figures.

An additional non-recurring profit of 11¢ per share resulted from a reduction in income taxes due to a taxable loss of Triangle Conduit and Cable — a wholly-owned subsidiary — brought forward from prior years. Due to its profitable operation in 1969 and 1970, the tax loss carry forward in this subsidiary has now been used up.

### SALES

Total sales volume at \$79.5 million is a new record for the Company and represents an increase of 28% over 1969. Substantial headway was made in promoting the Company's products in both domestic and export markets.

### FINANCIAL AND DIVIDENDS

The Company's financial position continued to strengthen. Working capital at \$17,369,000 showed an increase of \$2,487,000 over 1969.

The Sinking Fund payments, due February 1, 1971, and February 1, 1972, have been satisfied by the purchase last year of \$550,000 of our 5¾ % First Mortgage Bonds. A further smaller purchase in early 1971 will be applied against the payment due February 1, 1973.

During 1970, the Company paid four regular quarterly dividends of 7¢, for a total of 28¢ per share. In addition, the dividend for the year increased from 28¢ to 40¢, by the declaration and payment of two extra dividends of 8¢ and 4¢ in April and December, 1970, respectively. The new quarterly dividend rate in 1971 is 10¢ per share.

### OPERATIONS

For the past several years, the Company has actively pursued continuing programs of cost reduction and profit improvement. With a high level of activity in all the Company's plants, full benefit was derived from these efforts.

The plant expansion at Rimouski, Que., to accommodate the manufacture of aluminum transmission line cable (ACSR) was completed on schedule, and this facility is fully loaded for the balance of 1971.

To provide additional capacity for telephone cable manufacture, expansion programs were undertaken and completed at the Company's plants at Rimouski, Que., Dartmouth, N.S., and Sentinel, Alta.

Total investment in new capital assets in 1970 was approximately \$2.5 million.

At Brockville, Ont., building construction and installation of equipment for a new high-voltage power cable manufacturing unit has been undertaken at a total cost of approximately \$750,000. It is expected that this unit will be in commercial production by mid-1971.

### COPPER

Inventory values shown at December 31, 1970, have been adjusted to take into account the reduction in the copper price on January 22, 1971.

The practice of noting the estimated profit or loss realized on inventory due to copper price fluctuations has been discontinued and retained earnings are reported as one amount.



## BOARD AND MANAGEMENT

Mr. W. Fraser, Dr. W. J. J. Curry, Dr. D. N. Frey have resigned from the Board, and Mr. J. A. McCleery, Managing Director (Overseas Group) of British Insulated Callender's Cables Limited, was elected a Director at the January 12, 1971, meeting of the Board of Directors.

During the past year, a new senior organizational structure was established. Operating authority has been delegated to four Vice-Presidents who are in charge of the following product areas:

J. S. Waddington	— Communication Products Division
J. L. Olsen	— Magnet Wire Division
C. Prescott	— Construction Products Division
R. C. Salkeld	— Power Products Division

Messrs. Waddington, Prescott and Salkeld have had many years of experience with the Company in various management assignments. Mr. Olsen joined Phillips in November, 1970, following a successful career in engineering and general management with two well-known organizations. It is confidently expected that the new structure, and particularly the men in charge, will enable the Company to meet the challenges of shifting market conditions and provide for continued dynamic growth.

## PERSONNEL

During 1970, two-year labour agreements were concluded with the hourly-paid employees at Vancouver, B.C., and, following a four-week strike, at the Triangle plant in Scarborough, Ont. In January, 1971, a two-year contract was completed with the hourly-paid employees in Dartmouth, N.S. Negotiations are presently underway at the plants in Brockville, Ont., and Sentinel, Alta.

The employee strength at the end of 1970 was 1,516 compared to 1,446 a year ago.

The results achieved in 1970 could not have been attained without the loyal support of all employees throughout the Company. Your Directors are pleased to take this opportunity to thank all concerned for their contribution to a banner year.

## OUTLOOK

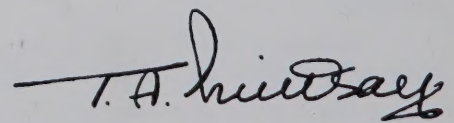
In contrast with the first quarter of 1970, January and February of this year have been relatively low production months. This was predictable as new orders declined noticeably in the fourth quarter of 1970 and the fall-off coincided with completion of certain major contracts which had not been renewed by the year-end.

Since mid-January, however, receipt of new orders and contracts have substantially increased the backlog, and a busy second quarter is anticipated.

The increase in housing starts, which became apparent late last year, has resulted in a heavy demand for building wire and outlet boxes made by the Construction Products Division. The Power Products Division has a good load of industrial and utility power cable, while the Communication Cables Division, in addition to its normal business, is starting work on a \$5.3 million contract for the Indian Post and Telegraph Department. Sales and earnings of Magnet Wire, an essential component in many electrical consumer items, are showing improvement compared to last year, but are still affected by the general slow-down in consumer buying.

As the pace of the domestic economy accelerates, which it now gives evidence of doing, we are confident that the combination of an alert and experienced Sales organization and well-equipped, capably-managed manufacturing resources will establish new and impressive performance records in the years ahead.

On behalf of the Board of Directors,



President.

**PHILLIPS CABLES LIMITED**  
AND SUBSIDIARIES

**CONSOLIDATED STATEMENT OF EARNINGS**

FOR THE YEAR ENDED DECEMBER 31, 1970

	<b>1970</b>	<b>1969</b>
<b>Sales</b> .....	\$79,579,000	\$62,241,000
Cost of sales, selling and administrative expenses .....	67,319,000	54,267,000
Depreciation .....	1,630,000	1,640,000
Interest and discount on long-term debt .....	404,000	567,000
Remuneration of directors and officers (Note 7) .....	267,000	233,000
	<u>69,620,000</u>	<u>56,707,000</u>
<b>Earnings before Income Taxes</b> .....	9,959,000	5,534,000
<b>Provision for Income Taxes</b>		
Current .....	5,029,000	2,263,000
Deferred .....	168,000	505,000
	<u>5,197,000</u>	<u>2,768,000</u>
<b>Earnings before Extraordinary Item</b> .....	4,762,000	2,766,000
<b>Extraordinary Item</b>		
Income taxes (Note 8) .....	442,000	268,000
<b>Earnings for the Year</b> .....	<u>\$ 5,204,000</u>	<u>\$ 3,034,000</u>
<b>Earnings per Share</b>		
Before extraordinary item .....	\$ 1.20	\$ 0.70
After extraordinary item .....	\$ 1.31	\$ 0.76

**CONSOLIDATED STATEMENT OF RETAINED EARNINGS**

FOR THE YEAR ENDED DECEMBER 31, 1970

	<b>1970</b>	<b>1969</b>
<b>Balance at January 1</b> .....	\$12,295,000	\$10,820,000
Earnings for the year .....	5,204,000	3,034,000
Transfer from (to) general reserve (Note 6) .....	725,000	(450,000)
	<u>18,224,000</u>	<u>13,404,000</u>
Dividends .....	1,710,000	1,109,000
<b>Balance at December 31</b> .....	<u>\$16,514,000</u>	<u>\$12,295,000</u>



CONSOLIDATED  
AS AT D

ASSETS

	1970	1969
<b>Current Assets</b>		
Cash .....	\$ 544,000	\$ 411,000
Short-term deposits .....	4,500,000	—
Accounts receivable .....	6,626,000	8,668,000
Inventories (Note 2) .....	15,739,000	14,861,000
Prepaid expenses .....	170,000	55,000
	<u>27,579,000</u>	<u>23,995,000</u>
<b>Mortgage Receivable</b> .....	250,000	275,000
<b>Fixed Assets</b> (Note 3) .....	16,149,000	15,313,000
<b>Unamortized Bond Discount</b> .....	—	72,000
	<u>\$43,978,000</u>	<u>\$39,655,000</u>

Signed on behalf of the Board:

T. A. LINDSAY, Director.

GÉRARD GINGRAS, Director.



**BALANCE SHEET**

AS OF 31, 1970

**LIABILITIES**

	<b>1970</b>	<b>1969</b>
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities .....	\$ 4,210,000	\$ 4,751,000
Income and other taxes .....	3,369,000	2,525,000
Dividend payable .....	398,000	277,000
Current maturities of long-term debt .....	40,000	50,000
Deposits held for returnable containers .....	2,193,000	1,510,000
	<hr/> 10,210,000	<hr/> 9,113,000
<b>Long-Term Debt</b> (Note 4) .....	5,579,000	6,169,000
<b>Deferred Income Taxes</b> .....	1,797,000	1,629,000

**SHAREHOLDERS' EQUITY**

<b>Capital Stock</b> (Note 5)		
Authorized — 5,000,000 shares without nominal or par value		
Issued — 3,981,875 shares .....	9,878,000	9,724,000
<b>Retained Earnings</b> .....	16,514,000	12,295,000
<b>General Reserve</b> (Note 6) .....	—	725,000
	<hr/> 26,392,000	<hr/> 22,744,000
	<hr/> <hr/> \$43,978,000	<hr/> <hr/> \$39,655,000

**PHILLIPS CABLES LIMITED**  
AND SUBSIDIARIES

**CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS**

FOR THE YEAR ENDED DECEMBER 31, 1970

	1970	1969
<b>Source of Funds</b>		
Earnings for the year .....	\$ 5,204,000	\$ 3,034,000
Transactions not requiring the use of funds:		
Depreciation and net book value of assets retired .....	1,657,000	1,895,000
Amortization of bond discount .....	72,000	51,000
Deferred income taxes .....	168,000	505,000
	<u>1,897,000</u>	<u>2,451,000</u>
Funds provided from operations .....	7,101,000	5,485,000
Mortgage repayment .....	25,000	—
Special refundable tax .....	—	72,000
Issue of capital stock .....	154,000	—
	<u>7,280,000</u>	<u>5,557,000</u>
<b>Application of Funds</b>		
Investment in fixed assets .....	2,493,000	1,211,000
Mortgage receivable .....	—	275,000
Dividends .....	1,710,000	1,109,000
Repayments on long-term debt .....	590,000	2,050,000
	<u>4,793,000</u>	<u>4,645,000</u>
<b>Increase in Working Capital</b> .....	2,487,000	912,000
<b>Working Capital at January 1</b> .....	14,882,000	13,970,000
<b>Working Capital at December 31</b> .....	<u>\$17,369,000</u>	<u>\$14,882,000</u>



**PHILLIPS CABLES LIMITED**  
AND SUBSIDIARIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

DECEMBER 31, 1970

**1. Principles of Consolidation**

The consolidated financial statements include the financial position and results of operations of Phillips Cables Limited and subsidiaries, all of which are wholly owned.

**2. Inventories**

Inventories are valued at the lower of cost and net realizable value. Full provision has been made for the most recent reduction in the price of copper announced by the copper producers in January 1971.

**3. Fixed Assets**

	1970		1969	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land .....	\$ 335,000	\$ —	\$ 335,000	\$ —
Buildings .....	8,640,000	2,932,000	8,450,000	2,699,000
Machinery .....	22,689,000	13,274,000	21,468,000	12,502,000
Construction in progress .....	691,000	—	261,000	—
	<u>32,355,000</u>	<u>16,206,000</u>	<u>30,514,000</u>	<u>15,201,000</u>
	<u>\$16,149,000</u>		<u>\$15,313,000</u>	

**4. Long-Term Debt**

	1970	1969
5¾ % First Mortgage Sinking Fund Bonds Series A due February 1, 1985		
Authorized and issued .....	\$6,500,000	\$6,500,000
Purchased and cancelled .....	1,150,000	600,000
	<u>5,350,000</u>	<u>5,900,000</u>
6% Equipment loan .....	9,000	30,000
7½ % Chattel mortgages .....	260,000	289,000
	<u>269,000</u>	<u>319,000</u>
Current maturities .....	40,000	50,000
	<u>229,000</u>	<u>269,000</u>
	<u>\$5,579,000</u>	<u>\$6,169,000</u>

The trust deed provides for sinking fund payments sufficient to retire \$4,700,000 of the Series A bonds by February 1, 1984. The payments due February 1, 1971 and 1972 have been fulfilled by the purchase and cancellation of \$550,000 of Series A bonds.

(Continued)

**PHILLIPS CABLES LIMITED**  
AND SUBSIDIARIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

DECEMBER 31, 1970

**5. Capital Stock**

During the year 21,950 shares were issued at \$7 per share on the exercise of options previously granted to officers, including officers who are directors, and other key employees. There are no options outstanding at December 31, 1970.

**6. General Reserve**

The general reserve of \$725,000, which was appropriated from retained earnings in prior years to provide, net of income taxes, for fluctuations in inventory values, has been transferred to retained earnings.

**7. Remuneration of Directors and Officers**

	<u>1970</u>	<u>1969</u>
Remuneration of directors as directors .....	\$ 33,000	\$ 33,000
Number of directors .....	11	11
Remuneration of officers .....	234,000	200,000
Number of officers .....	11	8
Number of officers who are directors .....	6	6

**8. Extraordinary Item**

Income taxes have been reduced by \$442,000 by reason of a taxable loss of a subsidiary brought forward from prior years.

A similar income tax reduction of \$268,000 in 1969 was not shown as an extraordinary item in the statement of earnings in that year, but was referred to in a note to the financial statements. This amount is now shown as an extraordinary item in order to conform with the 1970 presentation.

**9. Pension Plans**

The most recent actuarial valuations of the employees' pension plans disclosed an actuarial liability of \$2,700,000. During the year the company made payments as recommended by the actuaries to amortize this liability over a period of twenty years commencing in 1968.

**10. Commitments**

Commitments for capital expenditures not provided for in the accounts amount to approximately \$1,200,000.



# *Riddell, Stead & Co.*

CHARTERED ACCOUNTANTS 630 Dorchester Blvd. W., Montreal 101, P.Q.

## AUDITORS' REPORT

To The Shareholders  
Phillips Cables Limited

We have examined the consolidated balance sheet of Phillips Cables Limited and subsidiaries as at December 31, 1970 and the consolidated statements of earnings, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1970 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*Riddell, Stead & Co.*

February 9, 1971

**PHILLIPS CABLES LIMITED**  
AND SUBSIDIARIES

**SALES OFFICES**

Atlantic Provinces ..... Woodside Industrial Park, Dartmouth, N.S.

Quebec ..... 265 McArthur St., Ville St. Laurent

Ontario ..... 56 Sparks Street, Ottawa  
King Street West, Brockville  
756 Warden Ave., Scarborough  
199 Parkdale Ave. N., Hamilton

Manitoba ..... 1236 Sargent Avenue, Winnipeg

Saskatchewan ..... 1335 Wallace Street, Regina

Alberta ..... 14740 - 119th Ave., Edmonton  
3411 - 10th St. S.E., Calgary

British Columbia ..... 8330 Chester Street, Vancouver

**FACTORIES**

Atlantic Provinces ..... Dartmouth, N.S.

Quebec ..... Rimouski

Ontario ..... Brockville  
Scarborough

Prairie Provinces ..... Sentinel, Alta.

British Columbia ..... Vancouver

**SUBSIDIARIES**

Phillips Cables (Western) Limited  
Phillips Electrical Construction Company Limited  
Triangle Conduit & Cable Canada (1968) Limited





The degree of Engineering that goes into many of today's cables is such that they are every bit as sophisticated as the equipment they power. Your Phillips cable is in fact a PRECISE ELECTRICAL INSTRUMENT

**E**lectrical Instrument  
1416' long.



SIX FACTORIES  
9 WAREHOUSES COAST TO COAST



